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BILL ANALYSIS

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Senate Bill 343 (as enrolled)
Senate Bill 344 (as enrolled)
Senate Bill 346 (as enrolled)
Senate Bill 347 (as enrolled)
Senate Bill 348 (as enrolled)
Senate Bill 488 (as enrolled)
Senate Bill 489 (as enrolled)
Senate Bill 507 (as enrolled)
House Bill 4489 (as enrolled)
House Bill 4509 (as enrolled)

PUBLIC ACT 127 of 1999
PUBLIC ACT 128 of 1999
PUBLIC ACT 129 of 1999
PUBLIC ACT 130 of 1999
PUBLIC ACT 131 of 1999
PUBLIC ACT 132 of 1999
PUBLIC ACT 133 of 1999
PUBLIC ACT 134 of 1999
PUBLIC ACT 123 of 1999
PUBLIC ACT 84 of 1999

Sponsor: Senator Bill Schuette (S.B. 343 & 507)

Senator Ken Sikkema (S.B. 344)
Senator Virgil C. Smith, Jr. (S.B. 346)
Senator Bob Emerson (S.B. 347)
Senator Bev Hammerstrom (S.B. 348)
Senator Glenn D. Steil (S.B. 488)
Senator Gary Peters (S.B. 489)
Representative Patricia Birkholz (H.B. 4489)
Representative Ruth Ann Jamnick (H.B. 4509)

Senate Committee: Economic Development, International Trade and Regulatory Affairs

House Committee: Local Government and Urban Policy

Date Completed: 9-3-99

RATIONALE

In 1862, the U.S. Congress passed the Homestead Act to provide for the transfer of unoccupied public lands in the West to each homesteader who paid a nominal fee and occupied the land for five years. Men over 21 years of age, unmarried women who were heads of households, and married men under 21, who did not own over 160 acres of land anywhere, and who were U.S. citizens or applicants for citizenship, were eligible to become homesteaders and claim up to 160 acres of land.

The Hudson Institute and others believe that this homestead concept can be applied to an urban housing initiative in order to generate homeownership for low income families and help rebuild Michigan's inner cities. Although many parts of the State are experiencing economic growth, some urban communities in Michigan have not been able to share in this prosperity. Reportedly, in neighborhoods with many vacant buildings and large parcels of vacant land, the remaining residents have no connection to the economy. In addition, it has been reported that more than half of the homes in the State's urban core are rental housing.

The Hudson Institute (a public policy research

organization headquartered in Indianapolis) developed an urban homestead concept patterned after the Homestead Act of 1862. This concept would allow qualified individuals to "homestead", or take over, abandoned homes and bring them up to acceptable standards; allow qualified individuals to develop and construct a home on vacant land and acquire title to the land; and allow qualified individuals and organizations to acquire public housing units they are now renting. Many people believe that increased homeownership is the key to rebuilding urban neighborhoods, increasing economic responsibility, and promoting stability and pride in the communities.

Since some Michigan inner cities are replete with vacant, abandoned housing, and vacant tracts of land, many people believe that these properties should be used to implement the urban homestead concept. Blighted and abandoned property in residential areas can do great harm to the residents who remain. In addition to lowering property values and generally depressing economic activities within the neighborhood, abandoned property can be a magnet for criminal activities, which only causes increased abandonment and deterioration. Some neighborhoods in older urban areas can turn from

bad to worse in a short number of years unless the local unit takes action to reverse the trend. Before municipalities can do anything with derelict, abandoned property, however, they must first obtain title to that property.

Michigan's tax reversion process is considered overly complicated and can take up to five or six years from delinquency to foreclosure. (A very brief overview of the process is contained in **BACKGROUND**, below.) Although it was designed to give property owners ample time and opportunity to pay taxes to redeem their property, the process reportedly affords inadequate protection to property owners, often results in a title of questionable legal value, and permits unscrupulous individuals to exploit both low-income families and local units. Some people believe that reforming the tax reversion process will make it easier for local units to obtain title to abandoned property and vacant land for redevelopment, including use in the urban homestead program.

CONTENT

Senate Bill 343 created the "Urban Homestead Act" to provide that a local governmental unit may operate, or contract with a nonprofit community organization to operate, an urban homestead program that makes property available to qualified buyers. If a qualified buyer complies with a lease agreement for at least five years, the administrator (the local unit or a nonprofit organization) must deed the property to the buyer for \$1.

Senate Bill 344 created the "Urban Homesteading in Single-Family Public Housing Act" to permit local units to authorize a housing commission or nonprofit community organization to operate an urban homestead program that makes single-family public housing available to qualified buyers. After five years, a qualified buyer may be eligible to acquire the property for \$1 or the amount of Federal bonded indebtedness on the property.

Senate Bill 346 created the "Urban Homesteading on Vacant Land Act" to authorize a local unit to operate an urban homestead program that makes vacant land available to qualified individuals. If an applicant substantially meets the criteria for a qualified buyer and receives a commitment to finance construction on the vacant property, then the local unit must deed the property to the applicant for \$1.

Senate Bill 347 amended Public Act 18 of the Extra Session of 1933 (which authorizes cities, villages, townships, and counties to purchase, construct, operate, and maintain housing

facilities) to provide that a housing commission created under the Act must adopt rules that establish the operation of homesteading programs as provided under Senate Bill 344 and House Bill 4509.

Senate Bill 348 amended the State Housing Development Authority Act to authorize the Michigan State Housing Development Authority (MSHDA) to make loans to certain qualified buyers and resident organizations, and make grants to resident organizations as provided under Senate Bills 343, 344, and 346, and House Bill 4509.

Senate Bill 488 created the "Certification of Abandoned Property for Accelerated Forfeiture Act" to provide for the certification of abandoned tax delinquent property if a local unit makes a declaration of accelerated forfeiture of abandoned property as specified in the bill; establish criteria for abandoned property identification; require notice to property owners or to the taxpayer of record; and allow an owner or a person with a legal interest to file an affidavit claiming the property is not abandoned. The bill was tie-barred to Senate Bills 343 and 489 and House Bill 4489.

Senate Bill 489 amended the General Property Tax Act to provide that for taxes levied after December 31, 1998, certified abandoned property is subject to forfeiture, foreclosure, and sale for the enforcement and collection of the delinquent taxes as provided in the bill and in House Bill 4489. Senate Bill 489 also provides that a person who holds a tax deed to abandoned property may quiet title to that property after a title search, notice by mail or publication, a building inspection, and the posting of a foreclosure notice; allows owners of foreclosed property to bring an action to recover monetary damages within two years after judgment is made; and specifies the requirements for property to be considered abandoned. The bill was tie-barred to Senate Bills 343 and 488 and House Bill 4489.

Senate Bill 507 created the "Tax Reverted Property Emergency Disposal Act" to allow a local unit of government (a city, village, or township) to obtain clear title to tax reverted property whose title has vested in the local unit before January 1, 2000, and dispose of that property if a declaration of emergency backlog is made and approved as provided in the bill. The bill also requires notice for all persons with a recorded interest in the tax reverted property; allows a local unit to bring a quiet title action; and allows objections to a quiet title action. If a judgment is entered, the bill allows the local unit in which the property is located or a person

claiming an interest in the property to appeal the circuit court's judgment to the Court of Appeals. The bill was tie-barred to House Bill 4489.

House Bill 4509 created the "Urban Homesteading in Multifamily Public Housing Act" to permit local units to authorize a housing commission to operate an urban homestead program that makes multifamily public housing available to qualified buyers and resident organizations. After five years, a qualified buyer or a resident organization may be eligible to acquire the property for \$1 or the amount of Federal bonded indebtedness on the property.

House Bill 4489 amended the General Property Tax Act to provide that for taxes levied after December 31, 1998, tax delinquent property is subject to forfeiture, foreclosure, and sale as provided under the bill. The bill repeals sections on certified special residential property; repeals, as of December 31, 2003, sections governing tax sales and notice; and repeals, as of December 31, 2006, sections governing redemption, challenges to tax sales, responsibilities of the Department of Natural Resources, and other matters concerning tax-reverted property.

The bill establishes fees on each parcel of tax delinquent property; creates the "Land Reutilization Fund"; requires county treasurers to conduct a title search; requires notices of tax delinquency, forfeiture, and foreclosure to persons with an interest in the property; requires oral advice about foreclosure to occupants and tenants of tax delinquent property; allows owners of foreclosed property to appeal to the Court of Appeals and/or bring an action to recover monetary damages in the Court of Claims; allows a foreclosing governmental unit to sell the property and deposit the proceeds into a restricted account, which may be used only for reimbursing the delinquent tax revolving fund and paying costs of sale, foreclosure, and maintenance; and requires any remaining balance to be transferred to the Land Reutilization Fund. The bill is effective October 1, 1999, and was tie-barred to Senate Bills 343, 488, and 489.

A more detailed description of the bills (except Senate Bills 347 and 348) follows.

**Senate Bills 343, 344, & 346 and
House Bill 4509**

Urban Homestead Program

Under the bills, a local governmental unit, by resolution, may operate, or authorize a nonprofit community organization or a housing commission to

operate and administer an urban homestead program. In the resolution, the local governmental unit also must provide an appeals process to applicants, qualified buyers, purchasers, and lessees who are adversely affected by a decision of the administrator, local unit, housing commission, or resident organization. ("Administrator" means a local governmental unit or a nonprofit community organization under contract with a local unit to administer a homestead program. "Local governmental unit" means a county, city, village, or township. "Housing commission" means a housing commission or housing authority as defined under the Housing Cooperation Law, which defines "housing commission" as any housing commission created under Public Act 18 of the Extra Session of 1933. "Single-family housing" means "housing accommodations designed as a residence for not more than 1 family". "Multifamily public housing" means "housing accommodations designed as a residence for more than 1 family". "Vacant property" means surplus vacant residential property owned by the local unit.)

Qualified Buyer Criteria

Under the bills, an applicant (an individual and his or her spouse if the spouse intends to occupy the property with the individual) is eligible to enter into a homestead agreement as a qualified buyer if he or she meets all of the following criteria:

- The applicant is employed and has been employed for the immediately preceding one-year period or is otherwise able to meet the financial commitments.
- The applicant has not been sentenced or imprisoned within the immediately preceding one-year period for a felony; is not on probation or parole for a felony; and has not been sentenced, imprisoned, or placed on probation or parole within the immediately preceding five-year period for a controlled substance offense.
- The applicant has not been convicted of a violation or attempted violation for criminal sexual conduct.
- All school-age children of the applicant who will reside in the property attend school regularly. (A child with more than 10 unexcused absences per semester as determined by the local school or appropriate governing body is not considered to be attending school regularly.)
- The applicant has income below the median for the State as determined by the U.S. Department of Housing and Urban Development, for families with the same number of members as the applicant.
- The applicant is drug-free.
- The applicant agrees to file an affidavit each year certifying that he or she meets all of the

bills' criteria.

- The applicant meets all other criteria as determined by the administrator or local unit.
- The applicant intends to occupy the vacant property by constructing a home on the premises (under Senate Bill 346).

Conditions

The administrator, local unit, or housing commission may require substance abuse testing of an applicant as a condition of entering into a homestead agreement. If the applicant tests positive for substance abuse, then he or she must enter into a substance abuse treatment program, as determined by the administrator, local unit, or housing commission. The continuing substance abuse treatment and successful completion must be part of the agreement. The administrator, local unit, or housing commission may contract with and seek assistance from the local unit, the State, the Department of Community Health, or any other entity to implement this provision.

An applicant who has one or more school age children must provide verification of school attendance each semester.

In addition, the bills provide that an agreement is automatically terminated within 60 days after a qualified buyer is convicted of a felony during the term of the agreement.

As a condition of receiving ownership of the property, the bills require the qualified buyer to maintain and regularly fund an escrow account with the administrator, local unit, or resident organization for the payment of property taxes and insurance on the property.

Homestead Agreement

Senate Bill 343 allows a qualified buyer to apply to the administrator to rent certain property in the local unit. If the application is approved, the qualified buyer and the administrator must enter into a lease agreement for the premises. The administrator must determine the terms and conditions of the lease agreement. The administrator must charge at least 80% but not more than 100% of the fair market rental value for the premises. The administrator has the authority to determine rent based on factors such as income, number of dependents, and conditions of the property. The qualified buyer is responsible for all utilities and costs of improvements to the premises. If the qualified buyer is in substantial compliance with the lease for at least five years and continues to meet the criteria for a qualified buyer, and the premises substantially comply with all building and housing codes, the administrator must deed that property to the qualified buyer for \$1.

Senate Bill 344 and House Bill 4509 provide that a qualified buyer may apply to the administrator or the resident organization to acquire single-family public housing or a public housing unit. If the application is approved, the qualified buyer and the administrator or organization must enter into a homestead agreement for the property. The administrator or organization must determine the terms and conditions of the agreement. The administrator or organization must transfer legal ownership of that public housing property to the qualified buyer for \$1 if he or she is in substantial compliance with the agreement for at least five years, or has resided in the public housing property before the administrator or organization adopts the program, resides there for at least five years, meets the criteria in the agreement, continues to meet the criteria for a qualified buyer, and has otherwise substantially met his or her financial obligations with the commission or organization.

If the housing commission received Federal funds for which bonds or notes were issued, the commission or organization must transfer legal ownership to the qualified buyer within 60 days of payment of the pro rata share of the bonded debt on that specific property. The housing commission must obtain the appropriate releases from the holders of the bond or notes.

Senate Bill 346 requires the local unit to deed property to an applicant for \$1 if he or she substantially meets the criteria for a qualified buyer and receives a commitment to finance construction on vacant property. The applicant must agree to deed the property back to the local unit if the home is not constructed or not in the process of construction within one year from the date of the transfer. The local unit may enforce this provision with the use of a deed restriction or other restriction in the chain of title.

Before placing vacant property into the program, the local unit first must offer the property to owners who occupy adjacent and contiguous property, and if they do not purchase it, the local unit must offer it to neighborhood resident organizations, other community groups, or the general public. The local unit must determine the sale price for any sale under this provision.

Loans

Senate Bill 343 provides that rental receipts must be used to make loans to qualified buyers in a local governmental unit for improvement, repair, or rehabilitation of property in the urban homestead program, and pay the costs of an audit; and as long as the yearly costs do not exceed 40% of the yearly rental receipts, may pay the costs associated with administering the provisions concerning the criteria for a qualified buyer. Loans must be made for a term

not to exceed 10 years and at a rate of interest not to exceed the qualified loan rate (the adjusted prime rate determined in the revenue Act minus one percentage point). The administrator must determine the terms and conditions of the loan agreement.

If the local governmental unit acts as the administrator under the bill, the rental receipts must be deposited in a separate fund within the local unit's general fund. If the local unit contracts with a nonprofit community organization to act as the administrator, the rental receipts must be deposited in a segregated escrow account in a financial institution located in Michigan. The administrator may solicit funds from any and all sources, both public and private, for deposit into the accounts and funds described above.

Senate Bill 344 and House Bill 4509 allow MSHDA to provide loans to qualified buyers who are required to pay the pro rata share of the bonded debt on the single-family public housing, or pay for their multifamily unit. The rate of interest on these loans must not exceed the qualified rate. The Authority must determine the terms and conditions of the loan agreement. Loans made by MSHDA may be prepaid or paid off at any time without penalty.

Under House Bill 4509, a resident organization may apply to MSHDA for grant funds for management training and counseling, which may be provided by nonprofit community organizations and similar organizations. Also, MSHDA may make mortgage loans to resident organizations that qualify to acquire multifamily public housing of up to 95% of the bonded indebtedness of the housing project. The organization must pay the remaining portion of the indebtedness from any legal source.

Housing Projects

Under House Bill 4509, if a resident organization contracts with a housing commission to manage a housing project, the commission must pay all management fees and operation subsidies that it receives for the housing project to the resident organization.

If a resident organization successfully has managed a housing project and each member of the organization meets the criteria for a qualified buyer, the commission must transfer legal ownership to the resident organization for \$1. If the housing commission received Federal funds for which bonds or notes were issued, and are outstanding, the commission must transfer legal ownership to the organization within 60 days of payment of the bonded debt. The commission must obtain the appropriate releases from the holders of the bonds or notes. The organization must hold legal ownership of the housing project in the form of a cooperative housing corporation or a condominium association.

For five years after a qualified buyer takes ownership of a unit under House Bill 4509, the resident organization has a right of first refusal if the buyer wants to sell the unit. During the five-year period, the organization may repurchase the unit at the fair market price if the qualified buyer sells it. Also, during that period, the qualified buyer must not rent out or lease his or her unit or allow any other nonfamily member to reside in it.

Residents of a housing project who resided there before a resident organization took legal ownership may continue to reside in the premises under the same terms and conditions as when the property was owned by the commission. The Michigan State Housing Development Authority may request the Federal government to provide housing vouchers for residents who do not become owners.

Other Provisions

If a waiver of Federal law, rule, or policy is needed to implement Senate Bill 344 or House Bill 4509, the housing commission, MSHDA, and the resident organization may work together to obtain the appropriate waivers from the appropriate Federal authorities.

The powers of a local governmental unit prescribed in each bill are in addition to any other powers provided by law or charter.

At least every two years, the administrator, housing commission, nonprofit community organization, or local unit must hire an independent auditor to audit the books and accounts of the urban homestead program or resident organization. Upon completion, the audit report must be made available to the public.

Under Senate Bills 343 and 344, and House Bill 4509, a qualified buyer eligible for and participating in the urban homestead program must be allowed the opportunity to make up any late or delinquent rent due. The administrator must notify the individual of the arrearage and determine a payment schedule to make up past due rent.

House Bill 4489

Legislative Finding and Intent

The bill provides: "The legislature finds that there exists in this state a continuing need to strengthen and revitalize the economy of this state and its municipalities by encouraging the efficient and expeditious return to productive use of property returned for delinquent taxes. Therefore, the powers granted in this act relating to the return of property for delinquent taxes constitute performance by this state or a political subdivision of this state of essential public purposes and functions."

The bill also provides that it is the intent of the Legislature that the provisions of the General Property Tax Act relating to the return, forfeiture, and foreclosure of property for delinquent taxes satisfy the minimum requirements of due process required under the State Constitution and the U.S. Constitution but that those provisions do not create new rights beyond those required. The failure of the State or a political subdivision to follow a requirement under the bill relating to the return, forfeiture, or foreclosure of property for delinquent taxes cannot be construed to create a claim or cause of action against the State or a political subdivision unless the minimum requirements of due process under the State or U.S. Constitution are violated.

Local Decisions

By December 1, 1999, a county board of

commissioners by a resolution adopted at an open meeting, and with the written concurrence of the county treasurer and county executive, may elect to have the State foreclose tax delinquent property or certified abandoned property that is forfeited to the county under the bill. At any time during December 2004, the county board of commissioners, by a resolution adopted at an open meeting, may elect to have the State foreclose property that is forfeited to the county under the bill, or rescind its prior resolution by which it elected to have the State foreclose forfeited property. The bill specifies that the foreclosure of forfeited property by a county is voluntary and not an activity or service required of units of local government for purposes Article IX, Section 29 of the State Constitution (the Headlee amendment).

A county and a local unit may enter into an agreement for the consolidation of tax liens within that local unit. A local unit may not establish a delinquent tax revolving fund (as provided under the Act for counties).

Notwithstanding any charter provision to the contrary, the governing body of a local unit that collects delinquent taxes may establish for any property, by ordinance, procedures for the collection of delinquent taxes and the enforcement of tax liens, and the schedule for the forfeiture or foreclosure of delinquent tax liens. The procedures and schedule must conform to those established in the bill, except that taxes subject to a payment plan approved by the local treasurer as of July 1, 1999, may not be considered delinquent as of the following March 1 if payments are not delinquent under that payment plan.

Liens of the State

The bill specifies that the people of this State have a valid lien on property returned for delinquent taxes, with rights to enforce the lien as a preferred or first claim on the property. The right to enforce the lien is the prima facie right of this State and may not be set aside or annulled except in the manner and for the causes specified in the Act.

The bill also provides that all property offered at a tax sale held for taxes levied before January 1, 1999, that is sold or bid off to the State remains subject to a lien recorded under Part 201 (Environmental Remediation) of the Natural Resources and Environmental Protection Act (NREPA). In addition, the property remains subject to any lien recorded by the State before redemption, sale, or transfer of that property by the State. In either case, the lien must be extinguished on the sale or transfer of the property by the Department of Natural Resources or under the NREPA.

Forfeiture/Fees

The bill provides that on March 1 in each year, taxes levied in the immediately preceding year that remain unpaid must be returned as delinquent for collection. Property delinquent for taxes levied in the second year preceding the forfeiture or in a prior year must be forfeited to the county treasurer for the total of the unpaid taxes, interest, penalties, and fees for those years.

A county property tax administration fee of 4% and interest computed at a noncompounded rate of 1% per month or fraction of a month on the taxes that were originally returned as delinquent, computed from the March 1 that the taxes originally became delinquent, must be added to property returned as delinquent. A county property tax administration fee may not be less than \$1.

On March 1 in each tax year, certified abandoned property and property that is tax delinquent for the immediately preceding 12 months or more is forfeited to the county treasurer for the total amount of those unpaid taxes, interest, fees, and penalties. If property is forfeited to a county treasurer, the county treasurer does not have a right to possession of the property until 21 days after a judgment of foreclosure is entered under the Act. The county treasurer must add a \$175 fee as adjusted by the State Treasurer to each parcel of property for which delinquent taxes, interest, penalties, and fees remain unpaid. The adjusted fee must be adequate to meet the expenses of the foreclosing governmental units in conducting the title search required by the bill.

Within 45 days after property is forfeited, the county treasurer must record with the county register of deeds a certificate in a form determined by the State Treasurer for each parcel of forfeited property, specifying that the property has been forfeited and not redeemed and that absolute title to the property will vest in the county treasurer 21 days after a foreclosure judgment is entered. If the county has elected to have the State foreclose property, the county treasurer must immediately transmit a copy of each certificate to the State Treasurer. Within 30 days the county treasurer must transmit to the State Treasurer the \$175 fees, which may be paid from the county delinquent tax revolving fund, and must be deposited in the Land Reutilization Fund.

On the October 1 immediately succeeding the date that unpaid taxes are returned to the county treasurer for forfeiture, foreclosure, and sale, or returned to the county treasurer as delinquent, the county treasurer must add a \$15 fee as adjusted by the State Treasurer on each parcel of property for which the delinquent taxes, interest, penalties, and fees remain unpaid. The adjusted fee must be adequate to meet the expenses incurred by the county treasurers in providing notice by certified mail.

Notice of Delinquency

Under the bill, the county treasurer may publish in a newspaper published and circulated in the county the street address of property subject to forfeiture on the immediately succeeding March 1 for delinquent taxes, and the name of the person to whom a tax bill for tax delinquent property was last sent, and the name of the owner if different as shown on the current records of the county treasurer. If no newspaper is published in that county, publication must be made in a newspaper published and circulated in an adjoining county.

Any person with an unrecorded property interest or any other person who wishes at any time to receive notice of the return of delinquent taxes on a parcel of property may pay an annual fee of up to \$5 by February 1 to the county treasurer and specify the parcel identification number, the address of the property, and the address to which the notice must be sent. Holders of undischarged mortgages wishing to receive notice of delinquent taxes on a parcel or parcels of property may provide a list of such parcels in a form prescribed by the county treasurer, specify the information for each parcel, and pay a fee of up to \$1 per parcel. The county treasurer must notify the person or holders of undischarged mortgages if delinquent taxes are returned within that year.

Also, upon the request of a holder of a tax lien purchased under the Michigan Tax Lien and Collateralized Securities Act, and payment to the county treasurer of the actual costs incurred in complying with the request, the county treasurer must provide a list identifying the parcels of property for which a notice is required under the bill.

On the June 1 immediately following the March 1 that unpaid taxes are returned to the county treasurer as delinquent, the county treasurer must send notice, by first-class mail, to the person to whom a tax bill for property returned for delinquent taxes was last sent or to the person identified as the owner of such property, a person who wishes to receive notice, and a person to whom a tax certificate was issued, as shown on the treasurer's current records. The notice must include all of the following:

- The date tax delinquent property will be forfeited to the county treasurer for the unpaid delinquent taxes, interest, penalties, and fees.
- A statement that a person who holds a legal interest in the property may lose that interest as a result of the forfeiture and subsequent foreclosure proceeding.
- A legal description or parcel number and street address of the property.
- The person or persons to whom the notice is addressed.
- The unpaid delinquent taxes, interest, penalties, and fees due on the property.
- A statement that absolute title to the property will vest in the foreclosing governmental unit unless the taxes, interest, penalties, and fees

are paid within 21 days after judgment is entered in the foreclosure proceeding.

- A statement of the person's rights of redemption and notice that the rights of redemption will expire 21 days after the court enters an order foreclosing the property.

On the September 1 immediately following the March 1 that unpaid taxes are returned to the county treasurer as delinquent, the county treasurer must send a notice to the same persons, containing the information described above. This notice also must include a schedule of the additional fees that will accrue on the following October 1 if the unpaid taxes, interest, penalties, and fees are not paid.

On November 1 of each year, the county treasurer must prepare a list of all property subject to forfeiture for delinquent taxes on the immediately following March 1. The list must indicate for each parcel the total amount of delinquent taxes, interest, penalties, and fees, computed to the date of the forfeiture.

By December 1, the county treasurer must determine, based on the records contained in the local assessor's, local treasurer's, and county treasurer's offices for property subject to forfeiture on the previous March 1, the street address of the property and the name and address of the owners; the holder of any undischarged mortgage, tax certificate, or other legal interest; a subsequent purchaser under any land contract; and the holder of a tax lien purchased under the Michigan Tax Lien Sale and Collateralized Securities Act who requested notice.

Notice of Forfeiture

The bill provides that, by February 1 immediately succeeding the March 1 that unpaid taxes were returned to the county treasurer as delinquent, the county treasurer must send a notice by certified mail to the person to whom a tax bill for tax delinquent property was last sent and, if different, to the person identified as the owner and to those persons identified by the county treasurer. The notice of forfeiture must include the date the property will be forfeited to the county treasurer; a statement that a person who holds a legal interest in the property may lose that interest as a result of the forfeiture and subsequent foreclosure proceeding; a legal description or parcel number of the property and the street address, if possible; the person or persons to whom the notice is addressed; the unpaid delinquent taxes, interest, penalties, and fees due on the property; a schedule of the additional interest, penalties, and fees that will accrue on the immediately succeeding March 1; a statement that unless the taxes, interest, penalties, and fees are paid within 21 days after judgment is entered in the foreclosure proceeding, absolute title to the property will vest in the foreclosing governmental unit; and a

statement of the person's rights of redemption and notice that those rights will expire 21 days after the court enters an order foreclosing the property.

The notice also must be mailed to the property by first-class mail addressed to "occupant" if a prior notice was not sent to the occupant of the property. A county treasurer may insert one or more additional notices in a newspaper of general circulation in that county if there is one. If no newspaper is published in that county, publication may be made in a newspaper published and circulated in an adjoining county.

Redemption

Under the bill, property forfeited to the county treasurer may be redeemed at any time before 21 days after a judgment foreclosing the property is entered upon payment to the county treasurer of all of the following: the total amount of unpaid delinquent taxes, interest, penalties, and fees for which the property was forfeited; additional interest at a noncompounded rate of 0.5% per month or fraction of a month, calculated from the March 1 preceding the forfeiture; and all recording fees and fees for service of process or notice.

If property is redeemed by a person with a legal interest, that person does not acquire a title or interest in the property greater than what the person would have had if the property had not been forfeited to the county treasurer, but the person redeeming, other than the owner, is entitled to a lien for the amount paid to redeem the property in addition to any other lien or interest the person may have. The lien must be recorded within 30 days with the register of deeds, and has the same priority as the existing lien, title, or interest.

If property is redeemed, the county treasurer must issue a redemption certificate in quadruplicate form provided by the Department of Treasury. The certificates must be delivered to the person making the redemption payment, filed in the county treasurer's office, recorded in the office of the county register of deeds, and immediately transmitted to the Department of Treasury. The county treasurer also must make a note of the redemption certificate in the tax record kept in his or her office, with the name of the person making the redemption payment, the date of the payment, and the amount paid. A certificate and entry of the certificate in the tax record are prima facie evidence of a redemption payment in the State courts.

Foreclosure Petition

Under the bill, by June 15 in each tax year, the foreclosing governmental unit must file a petition with the clerk of the circuit court listing the property forfeited and not redeemed to be foreclosed for the

total of the unpaid delinquent taxes, interest, penalties, and fees. The petition must include the address of each parcel of property set forth in the petition, if available. The petition must seek a judgment in favor of the foreclosing governmental unit for the forfeited unpaid delinquent taxes, interest, penalties, and fees listed against each parcel of property. The petition must request entry of a judgment vesting absolute title to each parcel of property in the foreclosing governmental unit, without right of redemption. Before the hearing on the petition, the county treasurer must file with the clerk of the circuit court proof of any notice, service, or publication required.

If property is redeemed after the foreclosure petition is filed, the foreclosing governmental unit must request that the circuit court remove that property from the petition before judgment foreclosing the property is entered.

The foreclosing governmental unit may withhold from the petition property whose title is held by minor heirs or persons who are incompetent or without means of support until a guardian is appointed to protect their rights and interests, or property whose title is held by a person undergoing substantial financial hardship. If a foreclosing governmental unit withholds property from the petition, a taxing unit's lien for taxes due or the foreclosing governmental unit's right to include the property in a subsequent petition for foreclosure is not prejudiced.

If a petition for foreclosure is filed, the clerk of the circuit court in which the petition is filed immediately must set the date, time, and place for a hearing, which must be held within 30 days before the March 1 immediately following the date the petition is filed.

Title Search/Notice of Hearings

Title Search. By May 1 immediately following the forfeiture of property to the county treasurer, the foreclosing governmental unit must conduct a title search to identify the owners of a property interest in the property who are entitled to notice of a show cause hearing and a foreclosure hearing. The foreclosing governmental unit may enter into a contract with one or more licensed title insurance companies or agents to perform the title search and other functions described below.

Mail. The foreclosing governmental unit or its authorized representative must determine the address reasonably calculated to apprise those owners of a property interest of the show cause hearing and the foreclosure hearing, and must send notice of the hearings by certified mail at least 30 days before the show cause hearing to those owners, to a person who requested notice, and to a person to whom a tax deed for tax delinquent property was

issued. The failure of the foreclosing governmental unit to comply with any of these notice provisions will not invalidate any proceeding under the Act if the owner of a property interest or a person to whom a tax deed was issued is accorded the minimum due process required under the State Constitution and the U.S. Constitution.

Publication. If the foreclosing governmental unit or its authorized representative is unable to ascertain the address reasonably calculated to apprise the owners of a property interest entitled to notice, or is unable to serve the owner of a property interest, service must be made by publication. The notice must be published for three successive weeks, once each week, in a newspaper published and circulated in the county, or, if no paper is published in that county, in an adjoining county. Proof of publication must be recorded with the register of deeds in that county. The publication must be instead of service by mail.

Personal Visit. The foreclosing governmental unit or its authorized representative must make a personal visit to each parcel of property forfeited to the county treasurer to ascertain whether the property is occupied. If the property appears to be occupied, the foreclosing governmental unit or its authorized representative must attempt to serve personally upon a person occupying the property a copy of a notice of the show cause hearing and the foreclosure hearing. If a person occupying the property is personally served, the foreclosing unit or its representative must orally inform the occupant that the property will be foreclosed and the occupants will be required to vacate unless all forfeited unpaid delinquent taxes, interest, penalties, and fees are paid; of the time within which all forfeited unpaid delinquent taxes, interest, penalties, and fees must be paid; and of agencies or other resources that may be available to assist the owner to avoid the loss of the property. If the occupant appears to lack the ability to understand the advice given, the foreclosing governmental unit or its authorized representative must notify the Family Independence Agency or provide the occupant with the names and telephone number of the agencies that may be able to assist the occupant.

If the foreclosing unit or its representative cannot personally meet with the occupant, it must place the notice in a conspicuous manner on the property.

Proof of Service. The foreclosing governmental unit or its authorized representative must record the proof of service of the notice of the show cause hearing, the foreclosure hearing, and the personal visit to the property with the register of deeds in that county. If the foreclosing governmental unit entered into a contract with a licensed title insurance company or agent, it must provide that proof of service to the company or agency. Within 10 days after receiving

the proof of service, the company or agent must notify the foreclosing governmental unit in writing of any deficiency in service. If the foreclosing governmental unit is notified of any deficiency in service, the foreclosing unit must correct that deficiency and provide proof of that correction to the company or agent.

Owner of Property Interest. The owner of a property interest is entitled to notice of the show cause hearing and the foreclosure hearing if that owner's interest was identifiable by reference to any records or tax records in the office of the county register of deeds, the county treasurer, the local assessor, or the local treasurer, before the date the county treasurer records the certificate.

The owner of a property interest who has been properly served with a notice of the show cause hearing and the foreclosure hearing and who failed to redeem the property must not assert that notice was insufficient or inadequate on the grounds that some other owner of a property interest was not also served, or that the redemption period was extended in any way on the grounds that some other owner of a property interest was not also served.

Content of Notice. The notice must include all of the following:

- The date on which the property was forfeited.
- A statement that the person notified may lose his or her interest in the property as a result of the foreclosure proceeding.
- A legal description or parcel number and the street address of the property, if possible.
- All persons to whom the notice is addressed.
- The total taxes, interest, penalties, and fees due on the property.
- The date and time of the show cause hearing.
- The date and time of the hearing on the petition for foreclosure, and a statement that unless the forfeited unpaid delinquent taxes, interest, penalties, and fees are paid within 21 days after judgment is entered in the foreclosure proceeding, the title will vest absolutely in the foreclosing governmental unit.
- An explanation of the person's rights of redemption and notice that the rights will expire 21 days after judgment is entered.

Hearing/Judgment Foreclosing Property

Show Cause Hearing. If a petition for foreclosure is filed, the foreclosing governmental unit must schedule a hearing not later than seven days immediately before the date of the foreclosure hearing to show cause why absolute title to the forfeited property should not vest in the foreclosing governmental unit. The foreclosing governmental unit may hold combined or separate hearings for

different owners or persons with a property interest.

The owner and any person with a property interest may appear at the hearing and redeem that property or show cause why absolute title to that property should not vest in the foreclosing governmental unit. If the owner or any person with a property interest prevails in the hearing, the foreclosing governmental unit must notify the county treasurer, who must correct the tax roll to reflect that determination.

Objections to Petition. A person claiming an interest in a parcel of property set forth in the petition for foreclosure may contest the validity or correctness of the unpaid delinquent taxes, interest, penalties, and fees for one or more of the following reasons: no law authorizes the tax; the person appointed to decide whether a tax must be levied under State law acted without jurisdiction or did not impose the tax in question; the property was exempt from the tax in question or the tax was not legally levied; the tax has been paid; the tax was assessed fraudulently; or the description of the property used in the assessment was so indefinite or erroneous that the forfeiture was void.

A person claiming an interest in a parcel of property set forth in the petition who wants to contest that petition must file written objections with the clerk of the circuit court and serve those objections on the foreclosing governmental unit.

Withholding Property. If the court determines that the owner of property subject to foreclosure is a minor heir, is incompetent, or is without means of support, the court may withhold that property from foreclosure for one year or may enter an order extending the redemption period as the court determines to be equitable. If the court withholds property from foreclosure, a taxing unit's lien for taxes due is not prejudiced and that property must be included in the immediately succeeding year's tax foreclosure proceeding.

Judgment. The circuit court must enter judgment on a petition for foreclosure within 10 days after the March 1 immediately following the date the petition is filed for uncontested cases, or 10 days after the conclusion of the hearing for contested cases. All redemption rights to the property expire 21 days after the court enters a judgment foreclosing the property as requested in the petition.

The court's judgment must specify all of the following:

- The legal description and, if known, the street address of the property foreclosed and the unpaid delinquent taxes, interest, penalties, and fees due on each parcel of property.
- That fee simple title to the property will vest absolutely in the foreclosing governmental

unit, without any further rights of redemption, if all forfeited delinquent taxes, interest, penalties, and fees are not paid within 21 days after judgment is entered.

- That all liens against the property, except future installments of special assessments and liens recorded by the State or the foreclosing governmental unit under the NREPA, are extinguished, if all forfeited delinquent taxes, interest, penalties, and fees are not paid within 21 days after judgment is entered.
- That the foreclosing governmental unit has good and marketable fee simple title to the property, if all forfeited delinquent taxes, etc. are not paid within 21 days after entry of judgment.
- That all existing recorded and unrecorded interests in that property are extinguished, except a visible or recorded easement or right-of-way, private deed restrictions, restrictions imposed under the NREPA, or other governmental interests, if all forfeited taxes, etc., are not paid within 21 days.
- A finding that those entitled to notice and an opportunity to be heard have been provided that notice and opportunity.

Fee simple title to property set forth in a petition for foreclosure on which delinquent taxes, interest, penalties, and fees are not paid within 21 days after judgment is entered will vest absolutely in the foreclosing governmental unit, and the governmental unit will have absolute title to the property. The title is not subject to any recorded or unrecorded lien and may not be stayed or held invalid except as provided below.

The foreclosing governmental unit must record either the judgment or a notice of judgment in the office of the register of deeds for that county.

Appeal. The foreclosing governmental unit or a person claiming to have a property interest in foreclosed property may appeal the circuit court's judgment to the Court of Appeals. An appeal is limited to the record of the proceedings in the circuit court and may not be de novo. The judgment must be stayed until the Court of Appeals has reversed, modified, or affirmed the judgment. To appeal the judgment, a person must pay the amount determined to be due to the county treasurer under the judgment within 21 days after it is entered, together with a notice of appeal. If the judgment is affirmed on appeal, the amount determined to be due must be refunded to the person who appealed the judgment. If the judgment is reversed or modified on appeal, the county treasurer must refund the amount determined to be due to the person who appealed the judgment, if any, and retain the balance according to the order of the Court of Appeals.

Monetary Damages. If a judgment for foreclosure is entered and all existing recorded and unrecorded interests in a parcel of property are extinguished, the owner of any extinguished recorded or unrecorded interest in that property who claims that he or she did not receive any notice may not bring an action for possession of the property against any subsequent owner, but may only bring an action to recover monetary damages as provided in the bill.

The Court of Claims has original and exclusive jurisdiction in any action to recover monetary damages. An action to recover monetary damages may not be brought more than two years after a judgment for foreclosure is entered. Any recoverable monetary damages must be determined as of the date a judgment for foreclosure is entered and must not exceed the fair market value of the property on that date.

Property Sales and/or Transfer

Minimum Bid. The following provisions apply to the purchase of property by the State, a city, village, or township, or a county before an auction sale.

The bill provides that, by the first Tuesday in July, or the first Tuesday in September if an auction sale is not held, immediately following the entry of judgment vesting absolute title to tax delinquent property in the foreclosing governmental unit, the State is granted the right of first refusal to purchase property at the greater of the minimum bid or its fair market value by paying that amount to the foreclosing governmental unit if the foreclosing governmental unit is not the State. If the State elects not to purchase the property, a city, village, or township may purchase for a public purpose, any property located within that city, village, or township and subject to sale, by paying the minimum bid to the foreclosing governmental unit. If a city, village, or township does not purchase that property, the county in which the property is located may purchase it by paying the minimum bid to the foreclosing governmental unit. If a city, village, or township purchases the property, the foreclosing governmental unit must convey it to the purchasing city, village, or township within 30 days. If property purchased by a city, village, township, or county is subsequently sold for an amount in excess of the minimum bid and all costs incurred relating to demolition, renovation, improvements, or infrastructure development, the excess amount must be returned to the delinquent tax property sales proceeds account for the year, or to the Land Reutilization Fund if the State is the foreclosing governmental unit.

Upon the request of the foreclosing governmental unit, a city, village, or township, or county that purchased property under these provisions must provide to the foreclosing governmental unit

information regarding any subsequent sale or transfer of the property.

(The bill defines "minimum bid" as the minimum amount established by the foreclosing governmental unit for which property may be sold. The minimum bid must include all delinquent taxes, interest, penalties, and fees due on the property, but not any taxes and any interest, penalties, or fees on the taxes, levied by the city, village, or township that purchases the property; and the expenses of administering the sale, including all preparations.)

Auction Sale. Subject to the preceding provisions, beginning on the third Tuesday in July immediately after the entry of judgment vesting absolute title to tax delinquent property in the foreclosing governmental unit, the foreclosing unit or its authorized representative may hold one or more property sales at which property foreclosed by the judgment is to be sold by auction sale. Notice of the time and location of the sale must be published at least 30 days before the sale in a newspaper published and circulated in that county, or if there is no newspaper published in that county, publication must be made in a newspaper in an adjoining county. The sale or sales must be completed within 15 days. The property must be sold to the person bidding the highest amount above the minimum bid. The foreclosing governmental unit may sell parcels individually or may offer two or more parcels for sale as a group. The minimum bid for a group of parcels must equal the sum of the minimum bid for each parcel included in the group. The foreclosing governmental unit may require full payment by cash, certified check, or money order at the close of each day's bidding. Within 30 days after the sale, the foreclosing governmental unit must convey the property by warranty deed to the person bidding the highest amount over the minimum bid. The deed must vest fee simple title to the property in the person. If the State is the foreclosing governmental unit, the Department of Natural Resources (DNR) must conduct the sale of property on behalf of the State.

After an auction sale has been held, and by the first Tuesday in September immediately following that sale, a city, village, or township may purchase any property not previously sold by paying the minimum bid to the foreclosing governmental unit. If a city, village, or township does not purchase that property, the county in which the property is located may purchase it by paying the minimum bid to the foreclosing governmental unit. If the property is purchased by a city, village, township, or county, the foreclosing governmental unit must convey the property to that local unit within 30 days.

Beginning on the third Tuesday in September immediately following the auction sale, all property

not previously sold must be reoffered for sale, subject to the requirements for an auction sale. Beginning on the third Tuesday in November immediately following the property sale held in September, all property not previously sold must be reoffered for sale again subject to the same requirements, except that the minimum bid is not required.

Transfer of Property. On December 1 immediately after the date of the property sale held in November, a list of all property not previously sold by the foreclosing governmental unit must be transferred to the clerk of the city, village, or township where the property is located. The city, village, or township may object in writing to the transfer of one or more parcels of property set forth on that list. On December 30, all property not previously sold by the foreclosing governmental unit, except those parcels to which the city, village, or township has objected, must be transferred to the city, village, or township in which the property is located. The city, village, or township may make the property available under the Urban Homestead Act (Senate Bill 343) or for any other lawful purpose.

If property not previously sold is not transferred to the city, village, or township, the foreclosing governmental unit must retain possession of that property.

Sale Proceeds. A foreclosing governmental unit must deposit the proceeds from the sale of tax delinquent property into a restricted account. The foreclosing unit must direct investment of the account and credit to it interest and earnings from account investments. The foreclosing unit may use proceeds in the account only for the following purposes in the following order of priority:

- The delinquent tax revolving fund must be reimbursed for all taxes, interest, and fees on all of the property whether or not it was sold.
- All costs of the sale of property for the year must be paid.
- Any costs of the foreclosure proceedings for the year, including costs of mailing, publication, personal service, and outside contractors, must be paid.
- Any costs for the sale of property or foreclosure proceedings for any prior year that have not been paid or reimbursed from that prior year's property sales proceeds must be paid.
- Any costs incurred by the foreclosing governmental unit in maintaining foreclosed property before the sale, including costs of any environmental remediation, must be paid.
- If the foreclosing unit is the State, any remaining balance must be transferred to the Land Reutilization Fund.

Joint Sale. Two or more county treasurers of adjacent counties may elect to hold a joint sale of property. If two or more county treasurers elect to do so, property may be sold at a location outside of the county in which it is located. The sale may be conducted by any county treasurer participating in the joint sale.

Land Reutilization Fund

The bill creates the Land Reutilization Fund within the Department of Treasury. The State Treasurer may receive money or other assets from any source for deposit into the Fund. The State Treasurer must direct the investment of the Fund, and credit to it all interest and earnings from investments. Money in the Fund at the close of the fiscal year must remain in the Fund and not lapse to the General Fund.

The Department may spend money from the Fund for one or more of the following purposes: contracts with title insurance companies; costs of determining addresses, service of notices, and recording fees; defense of title actions; and other costs incurred in administering the foreclosure and disposition of forfeited property.

County Tax Liens

Under the Act, a person who holds a tax lien purchased from a city under the Michigan Tax Lien Sale and Collateralized Securities Act, also may purchase and enforce a county tax lien, as prescribed in the General Property Tax Act. Under the bill, these provisions apply for taxes levied before January 1, 1997. For taxes levied after December 31, 1996, the provisions described below apply.

At any time before the redemption period has expired, a person who holds a tax lien from a city under the Michigan Tax Lien Sale and Collateralized Securities Act, also may purchase a county tax lien. The county or the State must transfer the tax lien to the purchaser upon receiving an amount equal to the delinquent taxes, charges, assessments, penalties, interest, and fees represented by the county tax lien.

A person who purchased a county tax lien under the bill may enforce that county tax lien and collect the amounts secured by it, together with any interest and penalties that accrued before or after the purchase, notwithstanding any charter provisions to the contrary. A county tax lien sold under the bill is a preferred or first claim upon the property subject to the lien in the same manner as if the city held the tax lien. A county tax lien purchaser may not take any action to enforce or collect a county tax lien that is not authorized under the bill.

If a county tax lien is purchased, the portion of the tax lien that represents delinquent taxes, interest,

penalties, and fees is subject to interest, penalties, and fees as provided in the bill. A person who purchases a county tax lien may retain any delinquent taxes, interest, penalties, and fees collected for delinquent taxes, interest, penalties, and fees subject to the county tax lien purchased. The fees must not be levied more than once on each parcel in each tax year.

A pledge of tax liens or earnings, revenues, other money, or assets from enforcement of county tax liens purchased under the bill is valid and binding from the time the pledge is made without any filing, recording, or other requirement of notice. The tax liens, earnings, revenues, other money, or assets pledged by a person who purchased a tax lien are immediately subject to the lien of the pledge without physical delivery or further act. The lien of the pledge of tax liens, earnings, revenues, other money, or assets is valid and binding against all parties having claims of any kind in tort, contract, or otherwise against the purchaser whether or not those parties have notice of the lien of the pledge. Any instrument by which a pledge is created is not required to be recorded.

Department of Natural Resources

Under the Act, the DNR Director, with the approval of the Natural Resources Commission, may withhold from sale any land suitable for State forests, State parks, State game refuges, public hunting, or recreational grounds. The bill eliminates the required approval of the Natural Resources Commission, and allows the Director to withhold from sale any property the Director deems suitable for these purposes.

The Act permits the DNR to sell property that is not withheld from sale and not held by a local tax collecting unit. The bill specifies that a deed issued under these provisions remains subject to any restrictions approved by the State, or the foreclosing governmental unit, and recorded with the register of deeds under the NREPA.

The bill also deletes provisions allowing a local tax collecting unit or a county to apply to the DNR requesting the conveyance of certified special residential property for which the redemption period has expired.

Other Provisions

Administrative Hearing. Under Section 131e of the Act, the redemption period on property deeded to the State must be extended until the owners of a recorded interest have been notified of a hearing before the Department of Treasury. A hearing must be held to allow the property owners to show cause why the tax sale and the deed to the State should be canceled. The property then may be redeemed, for

the amounts specified in this section, up to 30 days after the hearing. Under the bill, the Department of Treasury may hold combined or separate show cause hearings for different owners of a recorded property interest.

The bill provides that the owner of a recorded property interest who has been properly served with a notice of the hearing, and who fails to redeem the property must not assert that notice was insufficient or inadequate on the grounds that some other owner of a property interest was not also served, or that the redemption period was extended on the grounds that some other owner of a property interest was not also served.

The bill specifies that Section 131e, as amended by the bill, is retroactive and is effective for all property whose title vested in the State after October 25, 1976.

Forms. By one year after the bill's effective date, the State Treasurer must prescribe the forms to be used in the administration of the collection of taxes for notice and proof of service, affidavit of publication, and the judgment of foreclosure. In prescribing the forms, the State Treasurer must actively solicit recommendations from the county treasurers and other interested parties.

Fee Adjustment/Reports. By March 1 in each year, but not after December 31, 2002, the State Treasurer must adjust the following fees added to each parcel of tax delinquent property: the \$15 fee to provide notice by certified mail, and the \$175 fee to provide for a title search.

By December 31 in each year, each county treasurer in the State must submit a report to the State Treasurer detailing the expenses incurred in the administration of the delinquent tax collection process and the adequacy of the fees in relation to those expenses.

By December 1, 2003, a committee of the State's county treasurers selected by the Michigan Association of County Treasurers must submit a report on the delinquent tax collection process to the House Local Government and Urban Policy Committee and the Senate Local, Urban and State Affairs Committee or their successors. The report must contain the potential successes and areas for improvement of the process, and the adequacy of the fees established under the Act.

County Agent. Under the Act, a county may establish a delinquent tax revolving fund, and borrow money or issue revolving fund notes. If provided by separate resolution of the county board of commissioners for any year in which a county determines to borrow, a certain percentage of the interest collected must be

paid from the surplus in the fund to the county treasurer for services as agent for the county. Under the bill, a county treasurer elected or appointed to office after bill's effective date is not eligible for this payment unless he or she held office on the bill's effective date and has not vacated the office after that date.

Repealed Sections

Effective Repeals. As of its effective date, the bill repeals sections providing for the identification of parcels as certified special residential property, and the sale of those parcels for unpaid taxes (Sec. 55a and 70b).

Repeals Effective December 31, 2003. Sections of the Act that do the following will be repealed as of December 31, 2003:

- Require the State Treasurer to petition for the sale of tax delinquent land (Sec. 61).
- Require notice of a tax sale to persons with a recorded interest in tax delinquent land (Sec. 61a).
- Require lists and street addresses of tax delinquent land (Section 61b).
- Prescribe the court order for a hearing on a tax sale (Sec. 62).
- Require publication of the order and petition (Sec. 63, 64, and 66).
- Prescribe the decree for a sale, and the vesting of title in the State (Sec. 67).
- Provide for conveyance of land to the State due to nonredemption (Sec. 67a).
- Provide that land sold for unpaid taxes remains subject to liens of government (Sec. 67b).
- Provide for the taxation of land not included in a decree for sale (Sec. 68).
- Allow a court to withhold from a tax sale land belonging to infants, minor heirs, or insane people (Sec. 69).
- Provide for annual tax sales of tax delinquent land (Sec. 70).
- Postpone the 1975 annual tax sale (Sec. 70a).
- Prescribe the purchaser's certificate (Sec. 71).
- Provide for execution of a tax deed to the purchaser after the redemption period expires (Sec. 72).
- Provide that a tax sale or deed may not be set aside more than five years after the purchase (Sec. 73).
- Provide for acquiring title after five years of adverse possession (Sec. 73a).
- Provide for tax deeds issued before September 28, 1907 (Sec. 73b).
- Require notice of the redemption period to persons with a recorded interest in property sold at a tax sale (Sec. 73c).

Repeals Effective December 31, 2006. Sections of the Act that do the following will be repealed as of December 31, 2006:

- Allow the redemption of land sold, and require the issuance of redemption certificates (Sec. 74).
- Provide for the recording of the annulment of redemption certificates (Sec. 75).
- Specify grounds for holding a tax illegal in proceedings before a sale (Sec. 76).
- Describe competent evidence in an action by a person claiming land that was purchased for unpaid taxes (Sec. 77).
- Provide for the issuance of a replacement deed (Sec. 83).
- Allow the purchase of land bid to the State after a tax sale (Sec. 84).
- Provide for the enforcement of remaining unpaid taxes (Sec. 85).
- Provide for ejectment actions against the State (Sec. 86).
- Provide for the rejection of taxes by the Auditor General, and the charging back of rejected taxes to a county (Sec. 95-97).
- Require the Auditor General to withhold land from a tax sale due to certain errors (Sec. 98).
- Provide for applications for a certificate of error or cancellation of a sale, and withholding conveyance to the State (Sec. 98a and 98b).
- Specify that a tax sale may not be invalidated due to nonprejudicial errors (Sec. 99).
- Allow the Auditor General to execute a deed in the name of a deceased person (Sec. 101).
- Require county treasurers to make a return of delinquent taxes to the DNR (Sec. 102).
- Require the DNR to give the Auditor General a description of land on which taxes have been paid (Sec. 103).
- Entitle the holder of a certificate of sale to an injunction to restrain waste (Sec. 115).
- Provide for the conveyance to a city or village of abandoned land that was acquired by the State before June 15, 1933, and provide that this land is not homestead land (Sec. 127b and 131b).
- Allow the DNR Director to withhold from a sale land suitable for State forests, parks, game refuges, or recreation areas (Sec. 131).
- Require the DNR to convey land to the owner after title has vested in the State (Sec. 131a).
- Allow the redemption of land following the vesting of title in the State; allow a municipality to withhold land from sale; and allow a municipality to redeem land (Sec. 131c).
- Allow the DNR to contract with real estate brokers to manage tax-reverted land (Sec. 131d).
- Require an administrative hearing, extend the redemption period until a show cause hearing, and allow redemption after a hearing (Sec.

131e).

- Require a certificate as to tax liens for recording conveyances (Sec. 135).
- Provide for the treatment of land returned as delinquent before the passage of Public Act 200 of 1891 (Sec. 138).
- Require sheriffs to give notice of the sale of land and right to redeem to certain persons (Sec. 140).
- Prescribe proof of notice on an improved residential parcel (Sec. 140a).
- Specify persons entitled to a release and quit claim of interest in property acquired under a tax deed (Sec. 141).
- Prohibit the purchaser under a tax sale or State bid from taking possession for six months after notice is given (Sec. 142).
- Require the recording of notice and proof of service if land is not redeemed within six months (Sec. 142a).
- Prohibit a challenge to the validity of a tax sale by a person who was given notice and failed to redeem (Sec. 143).
- Require the Auditor General to be a party to an action to set aside a tax sale (Sec. 144).
- Prescribe remedies for waste and removal of property from tax delinquent land (Sec. 156 and 157).

Senate Bill 488

Declaration

A local unit may, by adopting a resolution at an open meeting, make a declaration of accelerated forfeiture of abandoned property if it contains substantially the language specified in the bill. The resolution must state that the governing body of the local unit determines that parcels of abandoned tax delinquent property exist; the property contributes to crime, blight, and decay within the local unit; certification of the property will result in accelerated forfeiture and foreclosure under the General Property Tax Act and return abandoned property to productive use, thereby reducing crime, blight, and decay within the local unit; and the local unit is notifying residents and owners of property in the local unit that abandoned tax delinquent property will be identified and inspected and may be certified as certified abandoned property and subject to accelerated forfeiture and foreclosure.

("Abandoned property" means tax delinquent property containing a structure that is vacant or dilapidated, is open to entrance or trespass, and has been determined to be abandoned under the bill.)

Procedure

If a local unit makes a declaration of accelerated forfeiture of abandoned property before October 1 of any tax year, the local unit may identify property within

that local unit as abandoned property if all of the following procedures are complied with:

- Before February 1, the local unit inspects the property and determines that it is abandoned property.
- The local unit posts a notice on the property at the time of inspection that if taxes levied on the property are returned as delinquent, the property will be subject to accelerated forfeiture and foreclosure, and fees under the General Property Tax Act will be imposed, unless an affidavit claiming the property is not abandoned is filed.
- The local unit sends a copy of the notice by first-class mail to the owner of the property or to the taxpayer of record.
- Taxes levied on the property are returned as delinquent on March 1 to the treasurer of the county in which the property is located under the General Property Tax Act.

If the local unit determines that the property is occupied by an owner or a person with a legal interest in the property, the local unit may not certify the property as certified abandoned property.

Certified Abandoned Property

An owner or a person with a legal interest in the property may file an affidavit claiming the property is not abandoned; the affidavit may be filed with the local unit before taxes are returned as delinquent or with the county treasurer after taxes are returned as delinquent. If an affidavit is filed before the how cause hearing required by the Property Tax Act, the property is not forfeited on the immediately preceding March 1 and must be forfeited on the immediately succeeding March 1 if all the delinquent taxes, interest, penalties, and fees have not been paid.

If a local unit complies with the bill's procedures and an owner or a person with a legal interest has not responded to the notice, the local unit may certify the property as certified abandoned property.

Senate Bill 489

Quiet Title Procedure

A person who holds a tax deed issued on abandoned property may quiet title to that property in the circuit court of the county in which the abandoned property is located, by taking the actions described below.

Title Search. The tax deed holder or his or her authorized agent must conduct a title search on the abandoned property.

Notice by Mail or Publication. After conducting the title search, the tax deed holder or authorized agent must send notice by certified mail to the owner and

to all persons with a legal interest in each parcel of abandoned property subject to accelerated foreclosure, as determined by the records in the office of the register of deeds and in records maintained by the county treasurer and the State Treasurer. If, for any reason, the notice cannot be delivered to the last recorded address of the owner or persons with a legal interest, the notice must be published once each week for four successive weeks, in a newspaper published and circulated in the county where the parcel is located, and if no newspaper is published in that county, publication must be made in a newspaper in an adjoining county.

Building Inspection. At the request of the tax deed holder, the building inspector of the municipality in which the property is located must inspect the property and execute an affidavit attesting that the abandoned property is vacant, dilapidated, or open to entrance or trespass. The cost of the inspection must be paid by the tax deed holder and must be included in the amount necessary to redeem the property.

Foreclosure Notice. The tax deed holder or authorized agent must post a notice on the abandoned property at least 90 days before a foreclosure action. The notice must include at least all of the following:

- The legal description, parcel number, and, if known, the street address of the abandoned property.
- A statement of the total amount that must be paid to the county treasurer to redeem the abandoned property within 90 days of receipt of the notice, including fees to cover the cost of a title search, publication, and inspection by the municipal building inspector.
- A statement of the person's rights of redemption and notice that those rights will expire 90 days after the person has received notice by mail or publication.
- A statement that unless the taxes, interest, penalties, and fees are paid before the 90-day redemption period expires and a foreclosure judgment is entered, title to the abandoned property will vest absolutely in the petitioning tax deed holder.

Quiet Title Action. If the owner or a person with a legal interest does not redeem the abandoned property by payment to the county treasurer within 90 days of service of the notice, the tax deed holder may bring an action in the circuit court of the county in which the abandoned property is located and petition the court to issue a judgment to quiet title in favor of the tax deed holder. The tax deed holder must provide all of the following to the court:

- An affidavit from the building inspector of the municipality.
- A title search on the property that identifies all owners and persons with a legal interest as determined by the records maintained in the office of the register of deeds, the county treasurer, and the State Treasurer.
- Proofs of service required under the bill. If a tax deed holder fails to serve notice on one or more persons with a legal interest, service on any other person is not invalidated and the redemption period for any other person is not stayed or extended.
- An affidavit from the county treasurer certifying to the lack of payment within the 90-day redemption period.

Judgment

If the circuit court enters a judgment in favor of the petitioning tax deed holder, the court must foreclose the property as requested in the foreclosure petition. The judgment must specify the following:

- The legal description and, if known, the street address and parcel number of the abandoned property foreclosed.
- That fee simple title to the property is vested absolutely in the petitioning tax deed holder without any further rights of redemption.
- That, as of the date of the judgment, all

delinquent property taxes, demolition liens, and all other municipal liens of any kind, except future installments of special assessments, are extinguished.

- That all existing recorded and unrecorded interests in that property are extinguished, except a visible or recorded easement or right-of-way.
- That the petitioning tax deed holder has good and marketable fee simple title to the property.

Monetary Damages

If a foreclosure judgment is entered and all existing recorded or unrecorded interests in a parcel of property are extinguished, the owner of any extinguished recorded or unrecorded interest in that property may not bring an action for possession of the property against any subsequent owner, but may only bring an action to recover monetary damages. An action to recover monetary damages may not be brought more than two years after a judgment is entered. Monetary damages must be determined as of the date a judgment is entered.

Abandoned Property

Property must be considered abandoned if all of the conditions described below are satisfied.

Within 30 days before the commencement of foreclosure proceedings, the tax deed holder mails by certified mail, to the last known address of the owner and all persons with a legal interest in the property, a notice that the property is abandoned and that the tax deed holder intends to foreclose it.

Before commencement of foreclosure proceedings, the tax deed holder executes and records, in the office of register of deeds in the county in which the abandoned property is located, an affidavit stating that the tax deed holder has mailed to the owner and all persons with a legal interest a notice of abandonment and intention to foreclose and that the owner or any person with a legal interest has not responded; and that the tax deed holder or authorized agent has made a personal inspection of the abandoned property and the inspection did not reveal that the owner or any person with a legal interest is presently occupying or intends to occupy the property.

The tax deed holder mails by certified mail, a copy of the affidavit to the owner or any person with a legal interest in the property before commencing foreclosure proceedings.

The owner or any person with a legal interest does not, before judgment is entered, give a written affidavit to the tax deed holder and record a duplicate original in the office of the register of deeds stating

that the owner or person with a legal interest is occupying or intends to occupy the property.

Senate Bill 507

Declaration of Emergency Backlog

A local unit may obtain clear title to tax reverted property whose title has vested in the local unit before January 1, 2000, if a declaration of emergency backlog is made as provided in the bill.

A local unit may make a declaration that an emergency backlog of tax reverted property exists within that local unit if the legislative body of the local unit, at an open meeting, approves a resolution stating that the existing inventory of tax reverted property within all or a portion of the local unit is too large and of uncertain title, that the property impairs the local unit's ability to market that property by conventional means, and that the property contributes to the spread of neighborhood blight and deterioration.

("Tax reverted property" means property whose title has vested in a local unit of government pursuant to the General Property Tax Act as a result of the nonpayment of delinquent taxes and nonredemption within the statutory period.)

Title Search

If a declaration is made, the local unit must conduct a title search to identify the owners of a recorded property interest in any specific parcel of tax reverted property within the area identified in the resolution approved by the local unit. The foreclosing governmental unit may enter into a contract with one or more licensed title insurance companies or agents to perform the title search. If the post office address of a person with a recorded property interest cannot be determined from the title search, the local unit must review the records of the treasurer and assessor for the local unit, and the qualified voter file to ascertain the person's address.

Notice

After a title search is completed and at least 30 days before a quiet title action is commenced, the local unit must send notice by certified mail to all persons with a recorded interest in any parcel of tax reverted property. A notice also must be mailed to the property by first-class mail and addressed to "occupant". If the local unit is unable to ascertain the address of a person with a recorded property interest, or if notice by certified mail is refused, service of the notice must be made by publication. The notice must be published for three successive weeks, once each week, in a newspaper published and circulated in the county in which the property is

located, or, if no paper is published in that county, in an adjoining county. Proof of publication must be recorded with the register of deeds in the county where the property is located. The publication is service on the owners of a recorded property interest identified by the title insurance company whose whereabouts cannot be reasonably ascertained or who refused service.

Affidavit

An authorized officer of the local unit must file an affidavit attesting to his or her compliance with the title search and notice requirements in the office of the register of deeds in the county where the property is located. The notice must include the following:

- The date the property was deeded to the local unit.
- The date of the court hearing (described below).
- A statement that a person notified may lose his or her interest in the property as a result of a circuit court judgment quieting title to the property.
- A legal description or parcel number and the street address of the property, if available.
- The person or persons to whom the notice is addressed.
- The total of taxes, interest, penalties, and fees due as of the expiration of the redemption period under Section 131e of the General Property Tax Act.
- A statement that unless all taxes, interest, fees, and penalties are paid before a judgment quieting title is entered, absolute title to the property will vest in the local unit without any further redemption rights.

Quiet Title Action

After notice is provided to all persons with a recorded interest in each parcel of tax reverted property, the local unit may bring a quiet title action in the circuit court for the county in which the property is located. A quiet title action must determine title for all parcels of tax reverted property set forth on a separate attachment to the complaint and incorporated into the complaint by reference.

If a local unit brings a quiet title action, a person claiming a recorded interest in the tax reverted property may contest the validity or correctness of the unpaid delinquent taxes, interest, penalties, and fees for any of the following reasons: no law authorizes the tax; the person appointed to decide whether a tax must be levied under State law acted without jurisdiction or did not impose the tax in question; the person or property assessed was exempt from the tax in question or was not legally assessed; the tax has been paid; or the tax was assessed fraudulently. The owner of a recorded interest in the tax reverted

property who desires to contest the quiet title action must file written objections with the clerk of the circuit court and serve those objections on the local unit.

If the court determines that the owner of the property is incompetent or is without means of support, the court may withhold that property from the judgment quieting title or may enter an order extending the redemption period as the court determines to be equitable.

If the court enters a judgment in favor of the local unit, the court must quiet title to the property in the local unit. The court's judgment must specify all of the following:

- The legal description and, if known, the street address of the tax reverted property and the unpaid delinquent taxes, interest, penalties, and fees due on each parcel of tax reverted property.
- That fee simple title to the property is vested absolutely in the local unit, without any further rights of redemption.
- That all liens against the property of any kind are extinguished, except a visible or recorded easement or right-of-way.
- That the local unit has good and marketable fee simple title to the property.
- That any rights or interest claimed by any person to the property are extinguished.

Fee simple title to property on which delinquent taxes, interest, penalties, and fees are not paid before judgment is entered must vest absolutely in the local unit upon entry of judgment, and the local unit must have absolute title to the property. The title is not subject to any recorded or unrecorded lien and cannot be stayed or held invalid except as provided below.

Appeal

The local unit or a person claiming an interest in the tax reverted property may appeal the circuit court's judgment to the Court of Appeals. The judgment must be stayed until the Court of Appeals has reversed, modified, or affirmed the judgment. To appeal the judgment, a person must pay the amount determined to be due to the local unit under the judgment within 21 days after it is entered, together with a notice of appeal. If the judgment is affirmed on appeal, the amount determined to be due must be refunded to the person who appealed the judgment. If the judgment is reversed or modified on appeal, the local unit must refund the amount determined to be due to the person who appealed the judgment, if any, in accordance with the order of the Court of Appeals.

Rights of Redemption

After a local unit makes a declaration that an emergency backlog of tax reverted property exists,

rights of redemption to tax reverted property, if any, are not transferable and a subsequent transferee is not entitled to notice and has no rights of redemption under the bill.

If the title search identifies any person with a recorded interest in tax reverted property who was not provided notice of tax foreclosure proceedings under the General Property Tax Act, that person has no rights of redemption under that Act and has only the rights of redemption provided under the bill.

MCL 125.2701 - 125.2709 (S.B. 343)
125.2761 - 125.2770 (S.B. 344)
125.2741 - 125.2748 (S.B. 346)
125.694b (S.B. 347)
125.1422 (S.B. 348)
211.961 - 211.266 (S.B. 488)
211.79 et. al (S.B. 489)
211.971 - 211.976 (S.B. 507)
211.57 et. al (H.B. 4489)
125.2721 - 125.2734 (H.B. 4509)

BACKGROUND

The following is a very simplified overview of the delinquent property tax process that existed before the bills' amendments (and that continues to apply for taxes levied before 1999).

Property taxes are collected by local units of government (cities and townships), which retain their local share and forward the nonlocal portions to other units of government (e.g., the State, counties, and school districts). Unpaid portions of the tax are "returned" to the counties. Counties act as the collection agent on behalf of the State, and reimburse local units for the revenue lost due to delinquency. (Exceptions apply, however, to Detroit and Kalamazoo, which retain local tax delinquencies for local collection.)

Taxes are due in December and unpaid taxes become officially delinquent on the following March 1. After 26 months, tax delinquent property is subject to a county's annual tax lien sale, at which buyers may purchase the right to become lienholders. (This period is shortened for "certified special residential property" under a program available within certain counties. Reportedly, the program has never been used.) If a tax lien is purchased at the annual sale, the property owner may redeem the property by paying the delinquent tax, interest at the rate of 1.25% per month, and administrative fees. If the owner does not redeem the property within one year, the lienholder is sent a tax deed, which is valid for five years. The lienholder then may perfect the lien by filing proof of the tax deed with the county sheriff, who serves notice on all persons with a recorded interest in the property. If no action is taken after notice has been served, the lienholder is issued a deed. If the lienholder does not perfect the lien, it reverts to the State.

If a tax lien is not purchased at the county tax sale, the lien is “bid off” to the State. The lien remains available for sale or redemption until April 20 of the following year. If the property is not redeemed while the State holds the lien, the Department of Treasury must hold an administrative hearing at which people with a recorded property interest may show cause why the property should not revert to State ownership. (In reference to a Michigan Supreme Court case, this is commonly called a *Dow* hearing, although *Dow* also required notice to holders of significant, though unrecorded, property interests.) If no compelling evidence is presented at the hearing, the State takes title after at least 30 days. Upon transfer of title to the State, the DNR performs an assessment and decides whether to retain the property for the State, return it to the local government, or sell it to the public.

Throughout this process, the property owner has various rights to redeem the property by paying the delinquent taxes plus increasing amounts of interest, fees, and penalties.

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The urban homestead bills (Senate Bills 343, 344, 346, 347, and 348, and House Bill 4509) will promote stability in Michigan cities by giving individuals a stake and sense of pride in their communities. Reportedly, Michigan is the first state in the nation to implement an urban homesteading program on a statewide basis. Encouraging people to take over public housing units they now rent, rehabilitate abandoned buildings, and construct a home on vacant land, and requiring them to remain drug- and crime-free, holds the promise of both expanded homeownership and responsible behavior. Homeownership benefits include a healthy thriving neighborhood, family equity-building, economic mobility, personal responsibility, and community involvement. It is an investment because it provides a basis for social and economic advancement, and a step toward economic independence. Homeownership also promotes neighborhood stability and increases community pride since those who own homes are apt to take care of their neighborhoods and unlikely to put up with crime and drugs.

Supporting Argument

According to the Hudson Institute, the urban homestead bills will result in considerable net savings to taxpayers by eliminating the need for costly demolitions and other expenses. An article in the *Detroit News* (2-19-99) reported that Detroit officials

recently estimated the city to have 39,000 abandoned homes, including 6,224 homes scheduled for demolition. Under the bills, participation in the urban homesteading program is strictly voluntary for all local units of government. No municipality is required to take any action that it considers to be too expensive.

The homesteading programs also may increase the tax base of participating local units, since abandoned housing and vacant land produce little property tax revenue.

Supporting Argument

The tax reversion bills (Senate Bills 488, 489, and 507 and House Bill 4489) will shorten, streamline, and clarify the process to bring tax delinquent property, especially abandoned property, back into productive use. Under the existing process, it can take over five years before the State makes a final disposition of tax delinquent property. During this time, the owner has multiple opportunities to redeem the property, and once title does finally vest in the State, the property often is unmarketable because title insurers will not write policies against it. In addition, except in regard to certified special residential property, the tax reversion process makes no distinction between different types of property.

The length and complexity of the current process contribute to urban blight because property is not noticed until taxes are delinquent; then, the property has to move through multiple administrative steps at various levels of government before a local unit can receive the property. By that time most buildings and fixtures have deteriorated and become barely salvageable and the title is worth little to the local unit. The bills shorten the tax reversion process while offering more protection to property owners and all persons with an interest in the property, by providing for sufficient notice, title searches, and ample time for redemption.

In addition, the bills will encourage the reclamation of damaged urban neighborhoods and preserve existing communities by allowing cities that establish urban homestead programs, or that have private groups with homestead programs, to use tax delinquent property to preserve neighborhoods and reduce crime through urban homesteading. According to an article in the *Detroit News* (9-28-98), last year the city had 50,000 parcels of tax delinquent property. The biggest obstacle to reuse of that property was the complex process by which a city gains title to tax delinquent property. In addition to creating a simplified process for all tax delinquent property, the bills contain an accelerated forfeiture process for abandoned property. By reforming the tax reversion process, the bills will return tax reverted property to productive use and enable urban homesteaders to buy their own homes before the property becomes unusable.

Supporting Argument

The current process does not produce clear title to tax reverted properties. Title companies indicate that 65% of tax reverted property lacks marketable title. Accumulated tax deeds for multiple tax years cloud title and lien buyers are often unwilling to quiet title and take possession of delinquent property. The bills will give new owners a clear and marketable title to delinquent property so they can finance new construction or renovation.

Supporting Argument

The tax reversion bills will be cost-effective. According to the Chief of Tax Administration for Oakland County, under current law, if a local unit returns a total of \$1,000 in delinquent 1999 taxes to a county treasurer on March 1, 2000, it may cost the owner up to \$2,137.50 to redeem the property from a lienholder. Under the bills, the maximum cost to redeem the property is almost \$400 less. In addition, by replacing tax lien sales where lien buyers bid down and purchase only the right to collect delinquent taxes and fees, with an auction land sale where tax reverted land is sold to the maximum bidder for clear title, the bills will benefit taxpayers as well as enhance the market value of the land sold.

Supporting Argument

Since the current process does not establish clear title to tax reverted property, many Michigan cities have accumulated large inventories of property that is difficult to market or otherwise return to productive use. Under Senate Bill 507, a special temporary process will provide local units with the means necessary to a quiet title to tax reverted property if an emergency backlog exists.

Opposing Argument

There are some concerns that members of the public may be unable to succeed in homesteading with the current degree of infrastructure decay and rising construction costs. Some organizations that have participated in local urban homestead programs in the past believe that the programs failed because they were not reality-based. Buyers cannot afford the required tax payments and cannot obtain loans to make the necessary improvements. An article in the *Detroit Free Press* (6-10-98) reported that under affordable housing programs operating in Detroit, such as Nuisance Abatement and Repair to Own, only a tiny fraction of the people who applied successfully turned a vacant house into a home because participants could not afford to make repairs that cost up to 10 times the home's value.

Response: The bills provide several avenues to obtain loans through rental receipts and MSHDA for improvement, repair, or rehabilitation of property in the homestead program.

Opposing Argument

Eligibility criteria for the homesteading programs should provide sufficient flexibility to deal with unique circumstances in individual cases. For example, it is unclear if a lease agreement will be terminated if an occupant has made all payments and abided by all the requirements, but fails to meet an eligibility requirement (such as employment) in the final year of the lease. If the occupants make good-faith efforts, flexible repayment opportunities or compensation for those efforts should be addressed.

Response: The bills provide the administrator, resident organization, or local unit with the discretion to decide if a particular occupant is in substantial compliance with the homestead agreement. In addition, a qualified buyer must be allowed the opportunity to make up any late or delinquent rent due. The administrator must notify the individual of the arrearage and determine a payment schedule to make up past due rent.

Legislative Analyst: N. Nagata

FISCAL IMPACT

Senate Bill 343

The bill allows local units of government to administer or to contract with a nonprofit community organization to administer an urban homestead program. Administrative costs, which will include possibly drug testing and background checks for criminal records, will be incurred and rent will be collected.

Senate Bill 344

Local units that participate in an urban homesteading program will incur administrative costs and receive rent.

Senate Bill 346

Local units that participate in an urban homesteading program for vacant land will incur administrative costs and receive rent.

Senate Bill 347

The bill will have no fiscal impact on State or local government.

Senate Bill 348

The fiscal impact of Senate Bill 348 will depend on the fiscal impact of Senate Bills 343, 344, and 346, and House Bill 4509.

Senate Bills 488 & 489

The bills will have no fiscal impact on State or local government.

Senate Bill 507

Data are not available to determine the fiscal impact.

House Bill 4489

The bill will accelerate the collection of delinquent property taxes and establish fees to cover administrative costs.

House Bill 4509

This bill requires MSHDA to request housing vouchers from the Federal government for residents who do not become owners. This might result in the administration of a separate voucher system for individuals residing in these units.

Local units that participate in an urban homesteading program will incur administrative costs and receive rent.

Fiscal Analyst: M. Tyszkiewicz
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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.